

# Research on the Development of Accounting Internal Audit System of Listed Companies

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**Abstract:** With the rapid development of China's market economy, listed companies are the backbone of China's national economic growth and economic structure optimization, and they promote the continuous development of China's economy. However, in order to better adapt to the development needs of today's society and the needs of social and economic system construction, China's listed companies have begun to effectively adjust their internal management systems, especially most of them have started to adjust their financial management systems in detail. This paper analyzes the problems existing in the internal audit of listed companies in China, and puts forward corresponding countermeasures.

**Keywords:** Listed Company; Internal Audit System; Adjustment

## 1. The meaning of internal audit

The International Institute of Internal Auditors believes that "Internal audit is an independent and objective confirmation and consultation activity to increase the value and improve the operation of an organization. It evaluates and improves the effect of risk management, control and governance processes by using systematic and standardized methods to help organizations achieve their goals." This definition shows that internal audit is an independent and objective activity that aims to improve the efficiency of operation and management through a series of activities, so as to achieve the goal of increasing the value of the organization. Through evaluation, internal audit can fully understand the internal control of enterprises and whether it plays a role. In view of the problems existing in internal control, it can put forward fruitful opinions and suggestions and improve the internal control system. At the same time, it can plug the loopholes in time by checking and analyzing the economic activities of enterprises. Examination and evaluation can verify whether the contents reflected in account books and information materials are true, correct and timely. Enterprise internal control system refers to a series of system methods, procedures and measures with management and control functions formulated and implemented within an enterprise in order to ensure the smooth progress of business activities and achieve the management objectives of the enterprise. Internal audit is a special form of internal control and an important part of internal control<sup>[1]</sup>.

## 2. Present situation of internal audit work of listed companies

### 2.1 Imperfect laws and regulations

The imperfection of laws and regulations is an important reason for the lag of the development of internal audit of

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listed companies in China. The laws and regulations of the internal audit system implemented now are only general generalizations, and have no effective operability, which makes the standardization and seriousness of internal audit just “on paper”<sup>[2]</sup>. China’s audit system consists of three parts: national audit, social audit and internal audit. At present, internal audit has been extended and supplemented by the early national audit to go hand in hand with national audit and social audit. Among these three major audits, the national audit has the Audit Law, the social audit has the Certified Public Accountant Law, and only the internal audit has no special law to regulate it.

## **2.2 Low overall quality of internal auditors**

Modern internal audit not only requires internal auditors to have corresponding professional knowledge, including accounting, auditing, internal control inspection and evaluation, electronic data processing and other aspects, but also needs rich practical experience. However, in the internal audit departments of many domestic listed enterprises, the audit work is performed by accountants. Although accountants have practical experience in accounting, they are difficult to do the work in risk early warning, economic management and control<sup>[3]</sup>.

## **2.3 Limited independence of internal audit**

As far as the development of internal audit is concerned, the most prominent problem lies in its weak independence, which directly leads to the lack of objectivity and impartiality of the final audit results and can not truly and fairly reflect the development of enterprises<sup>[4]</sup>. In many enterprises, there are many phenomena that internal audit institutions and internal audit staff lack independence. Even in some enterprises, independent internal audit institutions are not set up, and they are led by other departments or co-located, which leads to the internal audit departments being affected by the interests of all parties in their work. It is difficult to carry out economic supervision independently, which limits the independence of internal audit work. Therefore, the internal audit institutions of some units are just display.

## **2.4 Relatively-backward internal audit work methods and technical means**

Our internal audit is still handled by hand, which is not only inefficient, but also difficult to find out the mistakes and disadvantages in the process of microcomputer processing. It seriously affects the quality of audit work<sup>[5]</sup>. At present, the collection of audit evidence, the processing of audit information, the transmission of audit data and the rational allocation of audit resources are relatively lagging behind, and they are still in the original manual operation state. Although all internal audit departments are equipped with computers, they only use simple documents and spreadsheets, which weakens computers into calculators and typewriters and restricts the improvement of internal audit efficiency and audit quality.

# **3. Suggestions on the accounting internal audit system of listed companies**

## **3.1 Strengthening construction of internal audit laws and regulations**

Constitution is the fundamental law in China, and we should give internal audit a high degree of independence and legislative machine according to it.

Effective laws and regulations are introduced to regulate and protect the internal audit system<sup>[6]</sup>. Relevant departments should formulate more specific business norms and operational guidelines in accordance with the Audit Law, Internal Auditing Standards and other laws and regulations to enhance the operability of internal auditing laws and regulations. In addition, enterprises should formulate “Enterprise Internal Audit System” on the basis of internal audit norms such as “Audit Law” and “Internal Auditing Standards”, so as to further enhance the operability of internal audit norms and guide the development of internal audit work. Scientific, rigorous and specific internal audit implementation standards and guidelines are the powerful guarantee for an objective, fair and smooth internal audit, and the need for establishing China’s internal audit supervision system. For internal auditors, they should make legal and institutional requirements for their qualifications and practice, and implement the internal auditor registration examination and certification system.

### 3.2 Improving the overall quality of audit staff

To do a good job in internal audit, the key is to have independent audit institutions and build a high-quality audit team<sup>[7]</sup>. All colleges and universities in China should keep up with the development needs of modern market and set up suitable auditing courses and special auditing associations in the society, which will arrange auditors to take relevant auditing grade examinations and issue auditing certificates to those who pass the examinations. Only when all parties in the society pay attention to auditing work together can a large number of auditing professionals be trained for the modern market and the audit quality and effect be guaranteed<sup>[8]</sup>.

### 3.3 Establishing an independent internal audit institution

For the group, it is necessary to establish an independent internal audit committee that is located under the board of directors, so as to ensure that the internal audit committee can objectively and fairly audit various economic and financial activities of your group, thus ensuring the legality and effectiveness of various activities to truly play its supervisory role<sup>[9]</sup>. To ensure the independence of internal audit work, only by establishing a special organizational structure for internal audit work can we effectively improve the quality of internal audit work, ensure the fairness and openness of internal audit work, and give full play to the functions of internal audit work. Therefore, in state-owned enterprises, we should analyze the independence of internal audit work, avoid the influence of other factors, and ensure that internal audit work can play its due role<sup>[10]</sup>.

### 3.4 Improving internal audit means and methods

Network information audit makes it unnecessary to stick to on-site audit and provides a fast and convenient way for information exchange and application of audit. Therefore, companies must strengthen the development of audit software and procedures, fully apply network information technology to internal audit of listed companies, establish and improve internal audit database of listed companies, provide data reference for internal audit of companies, strengthen internal audit information exchange, and make further efforts to improve internal audit quality and efficiency.

## 4. Conclusion

In the era of economic globalization, market competition is more intense, and listed companies have strong requirements for objective and fair internal audit. Listed companies without internal audit cannot contribute to the development of market economy and harmonious society. With the constantly improvement of China's market economy, the development of internal audit has become a topic of concern for listed companies, and it is extremely urgent to improve the internal audit system of listed companies. I hope that through careful analysis of this paper, we can better ensure the development of listed companies in China today.

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